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FM AMEMBASSY NOUAKCHOTT
TO RUEHC/SECSTATE WASHDC 5500
INFO RUEHEE/ARAB LEAGUE COLLECTIVE
RUEHZK/ECOWAS COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 0309
RUEHBAD/AMCONSUL PERTH 0273
RHMFSS/CDR USEUCOM VAIHINGEN GE
RUCPDOC/DEPT OF COMMERCE WASHDC
RUEAIIA/CIA WASHDC
RUEKDIA/DIA WASHDC

C O N F I D E N T I A L NOUAKCHOTT 000599

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SUBJECT: SUBJECT: IMF STAFF TO GIVE GREEN LIGHT TO DEBT CANCELLATION

REF: NOUAKCHOTT 557

Classified By: AMBASSADOR JOSEPH LEBARON, REASON 1.4 (B), (D)

(U) Key Points

-- A visiting IMF mission has concluded that Mauritania has generally fulfilled its obligations under MDRI and will give a favorable recommendation for debt cancellation when the Board meets in June.

(C) Comments

-- The transitional government appears to have met almost all IMF criteria for debt relief, with one final step in June -- the publication of the Central Bank audit.

End Key Points and Comments.

[¶1.](#) (U) IMF Deputy Division Chief of Middle East and Central Asia Department Jean Le Dem told heads of missions May 8 that after a two week mission here to assess Mauritania's progress on macro-economics and budgetary reform, the staff will recommend to the board to cancel Mauritania's IMF debt during its June session. Le Dem noted significant progress in good management in public finances with the elimination of all extra-budgetary expenses. The government has reorganized its budget into functional classifications which will allow for a better review of public expenditures. He also said that the process of rectification of historical data is going well.

[¶2.](#) (U) The Central Bank Governor added that the transitional government will soon make public Central Bank audits as well as other budget reports, allowing for greater transparency. He said the government will use the \$100 million bonus from Woodside (reftel) and a savings of about \$50 million in debt service from debt cancellation to pay down its internal debt and increase investment in public administration.

¶3. (U) A representative from the African Development announced that on May third the bank decided to cancel the debt of 13 of the 14 African countries benefiting from MDRI, but delayed a decision on Mauritania until June.

¶4. (C) IMF ResRep Philippe Callier told DCM after the meeting that he considered the publication of an audit of Central Bank currency reserve holdings, which will occur in June, as the key element in safeguarding that the government does not return to its old practices. "All other reports can be falsified, but not this," he said. "If the government in the future ceases to publish the audits, that will be an extremely bad sign."

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